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Capitalism under attack: Economic elites and social movements in post-war Finland

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Introduction

For Finland, the post-war era began in September 1944 when it switched sides in the Second World War. The country, which had fought alongside Germany against the Soviet Union from the summer of 1941 onwards, was now left within the Soviet sphere of influence.[1] In this altered political situation, new social movements, in particular those led by communists and other leftist activists, challenged the existing economic and political order. However, this article argues that the traditional economic elites were remarkably successful in defending their interests. When the 'years of danger', as the period 1944–48 has been called in Finland, ended, it remained a country with traditional Western-style parliamentary democracy and a capitalist economic system.

Before the parliamentary elections of 1945, Finnish Prime Minister J.K. Paasikivi, the main architect of the country's new foreign policy (which was based on the attempt to maintain warm relations with the Soviet Union), urged voters to elect 'new faces' to Parliament.[2] The voters did so. A new communist-dominated political party, the Finnish People's Democratic League (*Suomen Kansan Demokraattinen Liitto*, SKDL) received a quarter of the seats. When Paasikivi was elected the President of the Republic in the following year, a member of SKDL, Mauno Pekkala, became the Prime Minister, while another party member led the Ministry of Interior and transformed the country's security police into a communist organisation.

Finland was clearly moving to the left. The influence of businessmen and non-socialist parties declined. 'The bourgeoisie' are now just 'passive bystanders', chairman of the Confederation of Finnish Trade Unions (*Suomen Ammattiyhdistysten Keskusliitto*, SAK) and a prominent social democrat Eero A. Wuori told his fellow trade unionists in October 1944. Other socialists agreed and pointed out that it was the perfect time to push through important reforms. Many of them advocated nationalisation of large private companies,

1 In English, see for example Tuomo Polvinen, *Between East and West: Finland in International Politics, 1944–1947*, edited and translated by D.G. Kirby and Peter Herring (Porvoo: Werner Söderström Osakeyhtiö, 1986).
2 Jorma Kallenautio, *Suomi katsoi eteensä: Itsenäisen Suomen ulkopolitiikka 1917–1955* (Helsinki: Kustannusosakeyhtiö Tammi, 1985), 266.

‘democratisation’ of the business sector, various social reforms as well as a more extensive government regulation of economic life.[3] The workers defended their rights in workplaces as well. Marjaana Valkonen, the historian of SAK, called 1945 the ‘breakthrough’ year of the Finnish trade union movement.[4] Non-organised workers started strikes and demanded higher wages with equal or even greater enthusiasm. In 1945, more workers participated in strikes than any year during the interwar period.[5]

People had suffered a lot during World War II and wanted a better life. A large part of the population was not convinced that the traditional economic system could help them get it. They, as well as politicians, were also aware of international trends. Governments in many European countries were taking over private companies and adopting other interventionist policies. Why would Finland choose another path?[6] Yet upon closer inspection we find that the situation was far from hopeless for businessmen. Those reforms that posed the most serious threat to the ‘bystanders’ were blocked or watered down. Why and how did this happen?

The late 1940s were a restless and eventful time in Finnish history, but we will focus on selected issues that were crucial for the survival of private capitalism. Who should own and lead industrial companies? Were old managers, who were key members of traditional economic elite, ‘cleansed’ from companies? This article can build on excellent studies written by historians. For example, Markku Mansner, Tapani Paavonen and Raimo Parikka have written about production committees and nationalisation, and Markku Kuisma has highlighted the role of elite networks.[7] We will also utilise printed sources and documents of leading business organisations.

In the late 1940s, Finland was a semi-agricultural country, but we will nevertheless concentrate on the industrial sector. There are several reasons for this: The industry had to earn foreign currencies to pay for imports of foodstuffs and raw materials, as well as supply war reparations goods to the Soviet Union. The forest industry companies (timber, pulp and paper) successfully re-established their traditional trading links with Western Europe, in particular the United Kingdom, and also supplied a part of war reparations goods Finland had to hand over to the Soviet Union. The latter wanted goods worth $300 million (valued in 1938 prices), but most of this consisted of engineering products, ships and cable.[8]

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3 Marjaana Valkonen, *Yhdessä elämä turvalliseksi: Suomen ammattiyhdistysten keskusliitto 1930–1947* (Helsinki: Suomen Ammattiliittojen Keskusjärjestö SAK, 1987), 420, 446; Tapani Paavonen, *Talouspolitiikka ja työmarkkinakehitys Suomessa toisen maailmansodan jälkeisellä jälleenrakennuskaudella vuosina 1944–1950*, Turun yliopiston julkaisuja. Sarja C, Scripta lingua Fennica edita, osa 64 (Turku: Turun yliopisto, 1987), 37, 39, 77; Tapio Bergholm, *Sopimusyhteiskunnan synty I: Työehtosopimusten läpimurrosta yleislakkoon. SAK 1944–1956* (Helsinki: Kustannusosakeyhtiö Otava, 2005), 77.
4 Valkonen, *Yhdessä*, 484.
5 Ibid., 478.
6 Raimo Parikka, ‘Työväenliike ja yhteiskunnan muutos 1944–1947’ (MA thesis, University of Helsinki, 1988), 4, 221; Anna Leinonen ‘Sosialisoimiskomitea ja Suomen talouselämän suunta’, *Faravid* 33 (2009): 187.
7 See below.
8 Kai Hoffman, ‘Teollisuus’ in *Sotakorvauksista vapaakauppaan: Kauppa- ja teollisuusministeriön satavuotisjuhlakirja* (Helsinki: Valtion Painatuskeskus. Kauppa- ja teollisuusministeriö, 1988), 130.

The agricultural sector was in turmoil as well, but it was nevertheless a less controversial field. Most cultivated agricultural land had been in the hands of small-scale farmers before the war. 420,000 people had been evacuated from areas ceded to the Soviet Union and they had to be resettled. Many of them received new farms, and as a result the land ownership structure became even more egalitarian. The Finnish forest industries, the country's most important export sector, grumbled because they lost some of their best plots of land, but it was generally accepted that those who had been engaged in agriculture should get new farms.[9]

Labour as a fighting force and a battleground

SKDL was a new party, but its popularity reflected persistent economic and social problems, as well as the bloody Finnish Civil War of 1918, which had left deep scars. The Finnish Social Democratic Party (SDP) and the left-wing militia known as the Red Guards had tried but failed to take over the country. After the war, the party gave up armed struggle and committed itself to the parliamentary system and gradual social reform. Some members, however, fled to Soviet Russia and formed the Finnish Communist Party (*Suomen Kommunistinen Puolue*, SKP). The Finnish labour movement was now split in half. During the Winter War (1939–1940), most left-leaning men fought in the Finnish army against the Soviet invaders. In the peace treaty signed in March 1940, Finland had to cede a part of its territory to the Soviet Union but did not lose its independence. The relations between Finland and the Soviet Union remained tense, and when the Germans attacked the Soviet Union in the summer of 1941 the Finns joined in and re-conquered areas lost earlier, as well as large parts of Soviet Karelia, partly populated by Karelians, people ethnically related to the Finns.

Throughout the Continuation War (1941–1944), as it was called in Finland, the Finnish social democrats sat in government alongside non-socialist parties. During the wartime years, the 'brothers-in-arms socialists' (*asevelisosialistit*) and bourgeois groups learned to work with each other both in the political sphere and in labour markets. Employers had recognised trade unions as negotiation partners in January 1940.

After the battle of Stalingrad, cracks within the political elite emerged when a group of social democrat and centrist politicians, often referred to as the 'Peace Opposition,' urged the government to take the country out of the war. Yet the ruling coalition had wide-ranging support in the freely-elected parliament and never lost its legitimacy in the eyes of most members of the public. The Finnish communists had tried to organise armed activity in 1941, but the authorities were able to counteract these efforts quickly. When the armistice agreement between Finland and Soviet Union was signed in September 1944, no real grass-

9 The annual report of the Central Association of the Finnish Woodworking Industries (CAFWI) 1945. Finnish Forest Industries Federation (FFIF), file 381. Suomen Elinkeinoelämän Keskusarkisto, Mikkeli, Finland (ELKA, The Central Archives for Finnish Business Records).

roots resistance movement that could claim that it was speaking for the people of the country existed.[10]

The treaty did, however, stipulate that all those who had worked on behalf of the Allies had to be freed. As a result, a number of communists emerged from jails and underground to resume political activities. SKP allied with some other leftist forces to set up the SKDL and then formed a coalition government with the social democrats and the centrist Agrarian Party. Together, these three parties held three quarters of the seats in Parliament. In Eastern European countries, communists gradually concentrated power in their own hands and pushed their allies into subordinate roles. In Finland it was more difficult to do so. The old parties had never lost their legitimacy in the eyes of most voters and as Finland had not been occupied, it was harder for the Soviets to help SKP eliminate its competitors.[11]

In the beginning, the Soviets did not even try. The Soviet-controlled Allied Control Commission complained quickly and in harsh words whenever it concluded that Finns were violating the armistice agreement in some way. Finnish officials received a steady stream of negative messages about major and minor issues, but the Soviets did not actively try to push the Finnish Government out of office. As long as the war against Germany was going on, it was better to calm things down on the 'Northern Front'.[12] The Soviets also learned to appreciate the goods they received from Finland as war reparations. For this reason, the Soviets and the Finnish communist leaders discouraged strikes that might disrupt these deliveries. In the spring of 1945, SKDL had also become a part of the governing 'democratic' coalition and participated in its efforts to stabilise social and economic conditions. It did not seem necessary to adopt a more revolutionary approach: the communist leaders were convinced that time was in their favour: capitalism was gradually disappearing, and the 'anti-fascist' coalition of workers' and peasants' parties was the first step on the road to socialism.[13]

At the end of the Continuation War, SAK had just 82,000 members, but membership had risen to 341,000 by 1947.[14] Furthermore, wildcat strikes, which were not authorised by trade unions, became increasingly common. Some new members were not familiar with the rules and traditions of unions. Others did not care or had not joined them in the first place. Non-

10 Kimmo Rentola, *Kenen joukoissa seisot? Suomalainen kommunismi ja sota 1937–1945* (Porvoo: Werner Söderström Osakeyhtiö, 1994), 340–344; Osmo Jussila, *Suomen tie 1944–1948: Miksi siitä ei tullut kansandemokratiaa* (Porvoo: Werner Söderström Osakeyhtiö, 1990), 253–254; Seppo Hentilä, 'Työväenliikkeen puolue- ja järjestöelämän herääminen' in *Suomi 1944: Sodasta rauhaan* (Helsinki: Kustannusosakeyhtiö Tammi, 1984), 143.
11 Literature on Finnish communism is extensive. In German and English see for example, Hermann Beyer-Thoma, *Kommunisten und Sozialdemokraten in Finnland 1944–1948*, Veröffentlichungen des Osteuropa-Institutes München, Reihe Geschichte; Bd, 57 (Wiesbaden: Otto Harrassowitz, 1990); A.F. Upton, with contributions by Peter P. Rohde and Å. Sparring, *The communist parties of Scandinavia and Finland* (London: Weidenfeld and Nicolson, 1973).
12 Jukka Nevakivi, 'Tulevaisuuden kynnyksellä' in *Suomi 1944: Sodasta rauhaan* (Helsinki: Kustannusosakeyhtiö Tammi, 1984), 174–177; Tuomo Polvinen, *J.K. Paasikivi: Valtiomiehen elämäntyö 4. 1944–1948* (Porvoo: Werner Söderström Osakeyhtiö, 1999), 517.
13 Rentola, *Kenen joukoissa seisot?*, 522; Valkonen, *Yhdessä*, 472–473; Markku Mansner, *Suomalaista yhteiskuntaa rakentamassa: Suomen Työnantajain Keskusliitto 1940–1956* (Helsinki: Teollisuuden Kustannus Oy, 1984), 168–169, 276–277; Parikka, 'Työväenliike', 21–22, 193–194.
14 Valkonen, *Yhdessä*, 422; Mansner, *STK 1940–56*, 125.

communist politicians and employers often blamed the communists for these strikes, but in practise, the latter were aware that it was not easy to control ‘proletarian masses’.[15]

Traditional elites adapt to new conditions

When Finland cut its ties with Germany most of the politicians who had held ministerial office between 1941 and 1944 were excluded from the government. Many of the replacements were nevertheless closely linked to traditional political and economic elites, who had historically been closely intertwined. The President of the Republic Risto Ryti, an anglophile former central banker who for practical reasons had led his country to an alliance with Nazi Germany, resigned. The Cabinet followed but the new leaders of the republic were not that new. The Commander-in-Chief of the Finnish military Marshal C.G.E. Mannerheim became the President, and he appointed Antti Hackzell, the managing director of the Finnish Employers' Confederation (*Suomen Työnantajain Keskusliitto*, STK) and a former Foreign Minister, as the Prime Minister. The new Foreign Minister Carl Enckell (1944–50) had, among other things, worked as a diplomat and a managing director of engineering and insurance companies during his long career. General Rudolf Walden, the founder of the United Paper Mills and a confidant of Mannerheim, continued to serve as the Minister of Defence, an office he had held since 1940.[16]

Hackzell and Walden soon fell ill and died; the former suffered a stroke in Moscow during the beginning of the armistice negotiations. After a brief interlude, J.K. Paasikivi was appointed as Prime Minister. This former politician, diplomat and the head of the conservative Kokoomus party and the Kansallis-Osake-Pankki (KOP, country’s largest commercial bank) had often represented Finland in negotiations with the Soviets. The latter trusted him, even though they knew very well that Paasikivi had no sympathy towards communist ideology. Paasikivi did not sit in the Cabinet during the Continuation War, and the Finnish-German links had therefore not tarnished his image in the Soviet Union. In the instructions drafted in Moscow for the new Allied Control Commission, Paasikivi was characterised as a ‘well-known Finnish industrialist’; but more importantly, he was the only leading person in Kokoomus whom the authors of the memo described in neutral terms.[17] Both Paasikivi and Enckell spoke Russian, which helped them to come to terms with the Soviets. As a young man, Enckell had served as a second lieutenant in an elite unit of the Imperial Russian Army. In 1917–1918 he worked in Petrograd (St. Petersburg) representing first the Grand Duchy of Finland and then independent Finland.[18]

Paasikivi’s business career had ended years ago, but he still had a sizeable stock portfolio.[19] Many of those who still worked in business tried to adapt to the changing international

15 Valkonen, *Yhdessä*, 470–473.
16 Markku Kuisma, *Kahlittu raha, kansallinen kapitalismi: Kansallis-Osake-Pankki 1940–1995*, Suomalaisen Kirjallisuuden Seuran Toimituksia 973 (Helsinki: Suomalaisen Kirjallisuuden Seura, 2004), 50–51.
17 Rentola, *Kenen joukoissa seisot?*, 470, 518.
18 Cecilia af Forselles, ’Enckell, Carl (1876–1959)’. (Kansallisbiografia 2001). http://www.kansallisbiografia.fi/kb/artikkeli/3273/ (accessed 16 April 2013).
19 Kuisma, *Kahlittu raha*, 52.

position as well. During the Winter War, a discussion group called the 'Nystén circle' had been born, because the war brought few industrialists, social democrats and other influential people in close quarters. This unofficial group, which is mentioned in countless Finnish works on political and economic history, was named after Holger Nystén, the managing director of the second department of the Finnish paper industry sales organisation Finpap.

During the later stages of the Continuation War the group took in new members and tried to promote a Finnish exit from the war. Some members of the group could be classified as members of the Peace Opposition, but the industrials were also loyal to their colleagues who were sitting in the Cabinet. For example, Nystén was fiercely loyal to Walden, the Minister of Defence and one of his superiors in the civilian economy, while Walden, in turn, was loyal to Mannerheim. Both the government and the opposition were looking for a way to get the country out of the war, and Finnish business elite had a strong foothold in both camps. Paasikivi's later Cabinet included no less than five members of the circle.[20] Most of these and other ministers were socialists but business was also represented. Åke Gartz, the Minister of Trade and Industry, was also the assistant managing director of the important A. Ahlström forest and engineering company, Vice-President of STK and a member of the Central Commission of Finnish industry (*Teollisuuden Keskusvaliokunta*), which tried to co-ordinate the political and lobbying activities of all industrial branches. He even participated in debates on who should get the money the businesses were distributing to political parties. He argued that they should go to non-socialist parties who were willing to support the election of those individual candidates the industry favoured.[21]

After the armistice agreement was signed, Jaakko Kahma, the head of the Finnish Foreign Trade Association, tried to form a Finnish-Soviet friendship society with the support of Paasikivi. Such an association had existed before the Continuation War as a strongly leftist force and Kahma wanted to ensure that the new one would not resemble the old one. The industry did eventually get a firm foothold within the society but its role turned out to be smaller than Kahma had hoped. Paasikivi had to pressure leading individual businessmen to join the board of the new society. They and other non-communists were there to ensure that communists could not 'monopolise' the field of Finnish-Soviet relations, but some of the industrialists elected attended to their duties only reluctantly.[22] 'I am left sitting on the Devil's buttocks,' Nystén, one of the men, complained to his wife. He only agreed to join after Paasikivi had recruited Walden to put pressure on the younger businessman. 'It was the suggestion of my boss [Walden], and I got a proper telling off [from Paasikivi] for claiming that there were other, more suitable people.'[23]

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20 Sakari Heikkinen, *Paper for the World: The Finnish Paper Mills' Association – Finnpap 1918–1996*, trans. Malcolm Hicks (Helsinki: Otava Publishing Company Ltd., 2000), 176, 205–10; Juhani Suomi, *Myrrysmies: Urho Kekkonen 1936–1944* (Kustannusosakeyhtiö Otava: Helsinki, 1986), 473–476; Kuisma, *Kahlittu raha*, 47; Paavo Rantanen, *Vaikea tie rauhaan: Suomi Saksan, Ruotsin ja Neuvostoliiton puristuksessa 1944* (Jyväskylä: Atena, 2010), 35, 155.
21 Minutes of Suomen Teollisuuden Keskusvaliokunta (TKV), 7 December 1944. ELKA. TKV's collection is not yet properly organised, but can be used for research purposes.
22 Rentola, *Kenen joukoissa seisot?*, 478–479; Polvinen, *Paasikivi 1944–48*, 7–12.
23 Heikkinen, *Paper for the World*, 209.

Paasikivi worked hard to lay the foundations of Finland's new foreign policy, which he hoped would lead to a peaceful co-existence with the two former enemies and remove any need for aggressive Soviet moves against Finland. Yet, as Andrei Ždanov, the head of the Control Commission remarked, Paasikivi domestic policy 'differed sharply' from his foreign policy. Paasikivi was determined to block any attempts to change Finland's economic and political system.[24] Paasikivi had demanded 'new faces' to the parliament, but he had also pointed out that the purpose was not to the change Finland's social system, but merely to get rid of those politicians that the Soviets would never trust.[25]

Paasikivi and other key policymakers often had to concentrate all of their attention on purely political issues, but as we will see, together with the businessmen they also managed to effectively contain the expansion of communism in the economic sphere.[26] Yet, a strong-willed and quick-tempered Paasikivi was not a puppet of private companies. In fact, Paasikivi's relations with the bank he had previously led were not particularly warm. Paasikivi had been forced to retire, and he had often criticized the way other business leaders conducted their affairs. When he suddenly became Prime Minister the current head of the KOP humbly had to repair the bank's relations with the statesman. Paasikivi received substantial 'negotiation fees' from the bank to remove any negative thoughts he might still harbour against the bank.[27]

Who will own companies?

In 1944–1945, the most vocal supporters of nationalisation could be found within the ranks of the SDP. The party had already drafted a nationalisation programme in 1930 but concentrated more on promoting less drastic policies later on. When the Continuation War ended, the left-wing of the party declared that it was time to shift to 'socialism', as capitalism was doomed and could only lead to chaos. Many of these politicians soon migrated to the new SKDL, but those who remained in SDP also urged the government to take concrete steps.[28] The communists claimed that the social democrats were simply trying to win votes by advocating policies that were believed to be popular among the leftist voters. Some contemporary observers and historians have suggested that tactical consideration did indeed play a role, [29] but as Raimo Parikka has shown, the social democrats spoke so consistently and extensively about nationalisation, also in their internal debates, that it is hard to dismiss all of these discussions as mere propaganda.[30]

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24 Polvinen, *Paasikivi 1944–48*, v; Rentola, *Kenen joukoissa seisot?*, 518.
25 Tuomo Polvinen, *Jaltasta Pariisin rauhaan*, Suomi kansainvälisessä politiikassa III: 1945–1947 (Porvoo: Werner Söderström Osakeyhtiö, 1981), 49.
26 Pentti Poukka, 'Valtiososialismista liikemiehen arvostamiseen – Paasikivi talouspoliitikkona' in Matti Mannerkorpi (ed.) *J.K. Paasikivi* (Hämeenlinna: Arvi A. Karisto Osakeyhtiö, 1970), 227; Tuomo Polvinen, *J.K. Paasikivi: Valtiomiehen elämäntyö 5. 1948–1956* (Helsinki: Werner Söderström Osakeyhtiö, 2003), 23.
27 Kuisma, *Kahlittu raha*, 52
28 Paavonen, *Talouspolitiikka ja työmarkkinakehitys*, 209–212; Mansner, *STK 1940–56*, 237; Leinonen, 'Sosialisoimiskomitea', 187.
29 Mansner, *STK 1940–56*, 238; Polvinen, *Paasikivi 1944–48*, 87–88; Paavonen, *Talouspolitiikka ja työmarkkinakehitys*, 211–212.
30 Parikka, 'Työväenliike', 13, 26–28, 81–83, 218–221.

Surprisingly, the communists originally seemed less enthusiastic about nationalisation than the social democrats. The communist leaders acted cautiously and argued that the issue was not 'urgent'. It was better to continue to build a broad progressive centre-left coalition and advocate more moderate reforms. The attitude of Finnish communists reflected those of their Soviet comrades, who were not eager to promote nationalisation in their neighbouring country. A large part of Finnish industries were at this time producing goods for the Soviets, who needed all the material they could get, first for warfare and then for reconstruction. A drastic move like nationalisation could disrupt the delivery of Finnish reparations.[31]

In February 1946 the government set up a Socialisation Committee to either develop practical plans, as was officially stated, or, as many believed, to bury the issue of nationalization in piles of paper.[32] In reality, the members of the committee had sharply differing views on its purpose. Uuno Takki, a moderate social democrat and the minister responsible for the process, privately stated to a leading industrialist that he had pushed the formation of the committee because otherwise there would be a parliamentary interpellation. He himself felt that it was not the right time to proceed with actual nationalisation.[33]

Other leftist members worked hard both within the committee and outside of it to develop practical plans. Thus, they produced those piles of paper, which, ironically, were later seen as a proof of the ineffectiveness of the committee. The members who represented private industry opposed nationalisation but soon became frustrated and considered resigning. However, the Central Commission of Finnish Industry asked them to stay.[34] It took the threat of nationalisation seriously and set up a joint anti-nationalisation fund and a research institute, which in addition acted predominantly as a pro-business propaganda unit. In August 1947, when the institute had been working for a year, it calculated that on an average day five or six newspapers published content supplied by its staff. In 1948 the number was between 11 and 12.[35] The main task of the institute, according to the Central Association of the Finnish Woodworking Industries (CAFWI), one of its backers, was to explain to the public why nationalisation was such a dangerous policy for the country.[36]

The industrialists had good reason to be worried. In the spring of 1946 the Soviets adopted a more aggressive policy towards Finland and in April the Finnish communists obtained permission from Moscow to take the gloves off. They launched a campaign for widespread structural reforms. Civil service was to be cleansed from 'fascists', land reform implemented,

31 Kuisma, *Kahlittu raha*, 53.
32 Toivo Heikkilä, *Paasikivi peräsimessä: Pääministerin sihteerin muistelmat 1944–1948* (Helsinki: Kustannusosakeyhtiö Otava, 1965), 126–127.
33 TKV, minutes 29 January 1946. ELKA.
34 Parikka, 'Työväenliike', 104; The annual report of CAFWI 1946. FFIF, file 381; TKV, minutes 12 December 1946. ELKA.
35 TKV, minutes 17 February 1947, 13 January 1949; Annual report of Taloudellinen Tutkimuskeskus for 1948, an appendix to TKV minutes 18 May 1949; 'Muistio Taloudellisen Tutkimuskeskuksen toiminnasta', an appendix to TKV minutes 28 August 1947. ELKA.
36 The annual report of CAFWI 1946. FFIF, file 381. ELKA.

and key industries and financial institutions nationalised.[37] According to Parikka, the last goal became, ‘a matter of life and death’ for them.[38]

The social democrats, in turn, began to have second thoughts. The party started to talk about planning instead of nationalisation and argued that the Finns should adopt state-led policies from other Nordic countries and Western Europe. In the spring of 1947 Väinö Leskinen, a leading member of the party, visited Czechoslovakia and noticed that nationalisation strengthened the position of communists at the expense of more moderate socialists. The policies of Scandinavian social democrats were more attractive: the state regulated economic affairs but also left room for private enterprise and free society. After a period of soul searching the Finnish social democrats decided in a favour of a ‘third way’ between US-style free capitalism and Soviet command economy. This sealed the fate of the Socialisation Committee. The social democrats were still willing to consider the nationalisation of some limited sectors of the economy but SKDL was nevertheless the only party advocating the elimination of private ownership. It was too weak to push through this policy by itself.[39]

The Socialisation Committee became increasingly irrelevant. In its annual report for 1946 CAFWI had described nationalisation as ‘our most important issue’ in the field of internal Finnish politics.[40] Three years later J.O. Söderhjelm, an MP and the head of CAFWI, gave the committee a *coup de grâce*. The parliament accepted Söderhjelm’s motion that the committee should receive no more funding from the government.[41]

Who will run companies?

The industrialists managed to maintain ownership of the companies in private hands, but they also had to defend the right to lead them. During the Continuation War Eero A. Wuori of SAK had already suggested that the workers had done so much for the country that they should get a say in how companies are run. SAK proposed the formation of production committees where both the employers and employees would be represented. Wuori saw production committees as a step forward in his plan to expand democracy within the factory gates.[42]

The social democrats got the ball rolling, but they soon lost it to SKDL.The communist Second Minister for Transport and Public Works Yrjö Murto and his officials drafted a plan which he outlined in vague terms to his Cabinet colleagues in September 1945. Murto argued that the committees would improve efficiency of production and help solve various practical problems. The minister, who had received ideological training in the Soviet Union and had spent nine years in prison in Finland, called these new bodies production councils (*neuvosto*). This brought back memories from the days of the Russian revolution. In 1917, soldiers’ and workers’ councils (soviets, *neuvostot* in Finnish) had challenged the *ancien régime*, and

37 Polvinen, *Paasikivi 1944–48*, 278, 285, 373, 529–530.
38 Parikka, ‘Työväenliike’, 117.
39 Paavonen, *Talouspolitiikka ja työmarkkinakehitys*, 220–3; Parikka, ‘Työväenliike’, 167–171, 189–191.
40 FFIF, file 381. ELKA.
41 Leinonen, ‘Sosialisoimiskomitea’, 195–196; Paavonen, *Talouspolitiikka ja työmarkkinakehitys*, 259–260.
42 Mansner, *STK 1940–56*, 250–251; Valkonen, *Yhdessä*, 505.

eventually given their name to the new country (*Neuvostoliitto* in Finnish), which was set up in the ruins of the Romanov Empire. It felt like a bomb had been dropped in the meeting room, the Prime Minister's secretary recalled later.[43]

Paasikivi lost his temper: the proposal was going to weaken the 'entrepreneurial spirit', and hence the country's ability to pay war reparations, creating 'a false impression' in foreign countries. By this Paasikivi presumably meant that Western countries might assume that Finland was moving towards socialism. Murto assured that he was not trying to set up socialist soviets. Ministers calmed down and organised a working group to further consider the issue. Murto moved on to describe his plans to SAK and STK. The Minister was more outspoken this time than he had been in the Cabinet. He argued that the new committees should receive the right to supervise production, wages and prices, and could make proposals on a wide range of issues. The committees would consist of representatives of workers, trade unions, employees and the government, but they would only form the lowest level in a new three-level structure. Above local bodies were provincial ones, and a new department within Murto's ministry was going to supervise the whole system. Hence, both the government and trade unions would acquire extensive new powers.[44]

The industrialists suspected that the setting up of production committees was going to be just a first step in the eventual nationalisation of the Finnish economy.[45] CAFWI later argued that the implementation of the original proposal would have led to 'complete chaos' in business life.[46] Yet, the leaders of STK also knew that production committees had been set up in many other countries and that this fact had been widely reported in Finland. The idea that workers should receive more power in production plants seemed to be popular in non-communist circles as well. Officially, the purpose of the reform was to improve efficiency of production. This gave it added legitimacy, as all parties and interest groups recognised that it was vital to do so.[47]

The proposal to set up production committees could not be killed off; therefore, the leaders of STK decided to try to water it down. Murto wanted to introduce new legislation, but the employees argued that the reform should be based on a private agreement between STK and SAK. They also wanted to make committees purely advisory organs. The industrialists failed to stop the introduction of a new law but achieved their second goal. Non-communist officials, ministers and MPs introduced various amendments to the proposed bill, including a specific mention that the committees would be advisory organs. They would consider various ways to improve production and the welfare of workers but could not in practice challenge

43 Heikkilä, *Paasikivi peräsimessä*, 123: Bergholm, *SAK 1944–56*, 78, 515; Uola, Mikko (2005) 'Yrjö Murto (1899–1963)'. *Kansallisbiografia* 2005. http://www.kansallisbiografia.fi/kb/artikkeli/925/ (accessed 8 April 2013).

44 Mansner, *STK 1940–56*, 252–253; Heikkilä, *Paasikivi peräsimessä*, 123–124.
45 Mansner, *STK 1940–56*, 250.
46 The annual report of CAFWI 1945. FFIF, file 381. ELKA.
47 Mansner, *STK 1940–56*, 252–253.

managers' right to lead the companies.[48] In some enterprises, production committees managed to promote co-operation between managers and workers,[49] but in many others, their inefficiency became apparent. In the important industrial town of Valkeakoski, workers called them 'production comedies'.[50]

This result reflected wider changes, or rather the lack of them. In the end, the political turmoil of the 1940s had little impact on the management structure of Finnish industry. The United States' authorities had blacklisted some businessmen who had traded with Germany during the Continuation War, but a few years later, these men already appeared at the cocktail parties of the British and US Legations in Helsinki.[51] Many of them rose to even more important positions. For example, Rainer von Fieandt, a banker and a key figure in Finnish-German trade, became the Governor of the Bank of Finland in 1955 and two years later he served briefly as the Prime Minister of the country.[52]

There were very few individuals who had to vacate their positions. V.A. Kotilainen, the head of the mainly state-owned forest and engineering giant Enso-Gutzeit, had led the administration of the occupied East Karelia during the Continuation War. For this reason, he felt that it was safer to move to Sweden rather than return to his civilian job. His successor in Enso-Gutzeit was a non-political professional, who had studied and worked in the United States.[53] Many other business executives had a military background. A number of officers had lost their commissions as a result of cuts in armed forces. Marshall Mannerheim was worried about this and asked companies to find new jobs for them. Leading Finnish businessmen were eager to help. For example, in the early 1950s, roughly ten per cent of branch managers of KOP were former officers.[54]

There was only one group of companies where leftist 'new faces' replaced old ones. In September 1944 German nationals owned sixty-five, mostly small, joint stock companies in Finland. In compliance with the agreement of the victorious allies in Potsdam in the summer of 1945, these were handed over to the Soviet Union.[55] The German managers had already either been interned or forced to flee the country and the Finnish managers often decided to resign or were forced out. As a result, these companies and others that the Soviet acquired received new leaders. These included people like Teuvo Rouvali, a former political prisoner,

48 Ibid., 254–62; Valkonen, *Yhdessä*, 500–1; Yrjö Blomstedt and Matti Klinge, (eds.)(1985) *J.K. Paasikiven päiväkirjat 1944–1956*, vol. 1: 28.6.1944–24.4.1949 (Porvoo: Werner Söderström Osakeyhtiö), 27 December 1945; 8 January 1946; TKV, minutes 7 February 1946; 16 April 1946; TKV, The report of activities 27 November 1945 – 13 December 1946. ELKA.
49 Mansner, *STK 1940–56*, 266
50 Kaj Tapani Raiskio, *Henkilöstön johtaminen Valkeakosken tehdasyhteisössä Rudolf ja Juuso Waldenin aikakaudella 1924–1969*, Jyväskylä studies in Humanities 193 (Jyväskylä: University of Jyväskylä, 2012), 142–143.
51 Heikkilä, *Paasikivi peräsimessä*, 277.
52 Rainer von Fieandt, *Omaa tietään kulki vain* (Helsinki: Kirjayhtymä, 1970).
53 Jorma Ahvenainen, *Enso-Gutzeit Oy 1872–1992. Osa II 1924–1992* (Jyväskylä: Enso-Gutzeit Oy, 1992), 428, 445.
54 Kuisma, *Kahlittu raha*, 92–94.
55 Niklas Jensen-Eriksen, 'Die Ursprünge der „Kreml-AG": Die sowjetische Beschlagnahmung deutschen Eigentums in Finnland 1945–1948' in Walter M. Iber and Peter Ruggenthaler, eds., *Stalins Wirtschaftspolitik an der sowjetischen Peripherie: Ein Überblick auf der Basis sowjetischer und osteuropäischer Quellen* (Innsbruck: StudienVerlag, 2011).

army deserter and officer of the communist-controlled security policy, who embarked on a business career that continued until the 1980s.[56] In the post-war Finnish business elite, he was, however, the odd man out.

The end of the postwar era

The year 1948 became a turning point in the Finnish post-war history.[57] In the spring it was widely rumoured that the communists were planning a *coup d'état*. They had just organised one in Czechoslovakia. Paasikivi, (non-communist regular) police and the armed forces made preparations to defend the government against such moves, but in the end, the communists did nothing. In May, the communist Minister of Interior Yrjö Leino lost his job because he had handed Finnish citizens over to the Soviet Union. The parliament passed a motion of no confidence, and when Leino refused to resign, Paasikivi fired him. The communists responded by organising a number of strikes. 100,000 people participated, but there were no positive results.[58] At the end of 1948 the communist-led security policy was abolished. A new organisation, Suojelupoliisi, inherited its predecessor's files and offices but none of its staff or ideological baggage. Suojelupoliisi identified communists as the main threat against the security of the nation and gradually gathered the courage and strength to fight against them and even against the Soviet intelligence services.[59]

SKDL suffered a defeat in the parliamentary elections in July 1948. In the subsequent negotiations, they nevertheless demanded the same number of ministerial positions as before and a number of key positions. The social democrats refused to accept this and received support from Paasikivi.[60] The party eventually formed a minority government, which ruled until 1950 despite Soviet disapproval and economic pressure. When local grievances led to strikes in Arabia, a porcelain factory in Helsinki known for tense labour relations, and in Kemi, an important northern industrial centre, communists tried to use these events to undermine the position of the government. SAK refused to grant permission to the strikes and declared both Arabia and Kemi open to outside workers. There were violent clashes and in Kemi two people died in chaotic circumstances. Yet, in the end, the communists could not resist the combined forces of government, SAK and the employers.[61] Historians have argued

56 Kuorelahti, Elina (2011) 'Kauppaneuvos Teuvo Rouvali (1921–2001)'. *Suomen talouselämän vaikuttajat.* Suomalaisen Kirjallisuuden Seura. http://www.kansallisbiografia.fi/talousvaikuttajat/?iid=1514 (accessed 14 April 2013).

57 See for example, Jukka Nevakivi, 'From the Continuation War to the Present 1944–1999' in Osmo Jussila, Seppo Hentilä, and Jukka Nevakivi, *From Grand Duchy to a Modern State: A Political History of Finland since 1809* (London: Hurst & Company, 1999), 245.
58 Mansner, *STK 1940–56*, 291–2.
59 Kimmo Rentola (2009) 'Suojelupoliisi kylmässä sodassa 1949–1991' in Matti Simola (ed.) *Ratakatu 12: Suojelupoliisi 1949–2009* ([Helsinki]: WSOY).
60 Polvinen, *Paasikivi 1948–56*, 9.
61 Kimmo Rentola (1997) *Niin kylmää että polttaa: Kommunistit, Kekkonen ja Kreml 1947–1958* (Helsinki: Kustannusosakeyhtiö Otava), 70–3, 81, 90–7; Juhani Salminen (1995), *Kemi 1949, Suomen kohtalonratkaisu* (Jyväskylä and Helsinki: Gummerus).

that this proved once and for all that the Finnish communists were not strong enough to rise to power without outside assistance.[62]

The Americans recognised the effectiveness of anti-communist groups and increased their support to the social democrats, who continued to fight the communists over which party was going to control the trade union movement. The US diplomats argued in 1953 that the 'bastion of national political strength here against communist inroads lies in the Social Democratic Party.' It 'possesses courageous and politically discerning leaders who are alive to the menace confronting the country.'[63]

Private assets remained in private hands and under private management, but it would be a mistake to conclude that the struggles of the late 1940s had no impact on the position of leftist employees. While the struggle over nationalisation and production committees was going on the social democrats and communists did their best to win the support of workers in other ways as well. They and other competing political parties introduced important pieces of social legislation, which laid the foundations of the Finnish welfare state.[64]

The workers also got paid better. Before the Second World War, the competitiveness of Finnish export industries (at the time mainly timber, pulp and paper) had been based partly on cheap wages. In the era of reconstruction and war reparations, it was hard to keep them at a low level. Industry was working at full capacity and needed all the hands it could get. Furthermore, strikes could lead to chaos and undermine existing social structures and Finnish independence. After all, the Soviets were quick to complain when there were delays in war reparations deliveries. When the workers demanded higher salaries employers and the government, which continued to regulate prices and wages even after the war had ended, often gave in.[65] When accelerating inflation made Finnish exports to free markets uncompetitive, the central bank responded by devaluing the currency. It did so no less than five times during the late 1940s.[66]

Conclusions

When the 1940s ended, the leftist social movements no longer posed a serious threat to the existence of the Finnish capitalist economic system. It had become more corporatist than before, but the traditional business elite still owned and led most companies. In 1944–1945, many in Europe claimed that capitalism was doomed. In practice it was difficult for ambitious reformers to kill its Finnish version. The political and economic elites did receive a lot of criticism for their actions during the war but never lost their legitimacy in the same way

62 Rentola, *Niin kylmää, että polttaa*, 99; Polvinen, *Paasikivi 1948–56*, 39.
63 American Legation, Helsinki, to State Department, 20 March 1953. 760E.00/3–2053. State Department. Record Group 59. Decimal Files on Finland (DFF) 1950–1954, box 3794. National Archives, College Park, Maryland, United States.
64 For a list of these in English, see for example, Nevakivi, 'From the Continuation War to the Present', 239–240.
65 Mansner, *STK 1940–56*, 116.
66 Niklas Jensen-Eriksen, 'Luuserimarkka: Itsenäisen Suomen kansallisen valuutan epäkunniakas historia' in: Niklas Jensen-Eriksen et al., eds., *Kansallinen kapitalismi, kansainvälinen talous*, (Helsinki: Kustannusosakeyhtiö Siltala, 2012), 258–259.

as in those countries that had been occupied by Germany or ruled by non-democratic governments. No one had both the desire and the necessary power to ‘cleanse’ companies of old managers. Communists never had the authority to do so, except in rare exceptions. Other political groups saw no need.

Economic elites also managed to successfully adapt to changes in political environment, and certainly did not behave like ‘bystanders’. During the war they had learned to work with social democrats, and a number of persons with business background held key positions in the government even after the end of the Second World War. The business organisations could ally with non-communist politicians, who worked hard to promote ‘Soviet-Finnish friendship’, but at the same time tried to block communist efforts to expand their influence in the domestic scene. Plans for nationalisation of industries were gradually watered down, and in 1949, there was still no ‘democracy within factory gates’, but just better-paid employees.

When the Cold War began, Finland became one of its many battle grounds. Within the country, the frontline was located between the social democrats and the communist-led SKDL, not between socialist and non-socialist parties, or between ‘democratic’ centre-left groups and others. The social democrats lost their desire to abolish the basic structure of capitalist system, and focussed on fighting communists and building a Nordic welfare state. In retrospect, the members of leftist social movements had a reason to be happy about their failure. In the coming decades, the capitalist system produced great economic benefits to Finland, and the more interventionist state distributed a substantial part of them to ordinary people.